

Kentucky Tobacco Settlement Trust Corporation

Meeting Minutes

December 12, 2000

The sixth official meeting of the Kentucky Tobacco Settlement Trust Corporation was held on Tuesday, December 12, at 9:00 a.m., in Room 110 of the Capitol Building, Frankfort. Governor Patton, Chairman called the meeting to order, and the secretary called the roll.

Members Present:

Governor Paul E. Patton, Chairman, Tommy Bale; Gary Cecil; David Chappell; Joe Clarke; Marshall Coyle; Debbie Draper; John-Mark Hack, President; Jim Lacy; Senator Joey Pendleton; Commissioner Billy Ray Smith; Wilson Stone; Representative Roger Thomas; and Henry West.

Members Absent:

General A. B. Chandler.

Minutes of the April Meeting:

The minutes of the April 20th & 24th meeting were approved.

Introduction of Staff Member:

John-Mark Hack, Director introduced Jeff Harper. Mr. Harper was appointed as the Kentucky Tobacco Settlement Trust Corporation Coordinator in September. As coordinator, Mr. Harper oversees every aspect of the disbursement of Phase II settlement funds and serves as the contact person for the Corporation members. He has worked diligently with First Union bank in designing application forms, developing language and layout of instruction sheets, building a clean and useable database, establishing a capable call center for applicants, and in the production of the check file for Chase Manhattan Bank.

First Union's Status Report:

John-Mark Hack reminded the members that because of the demands of the Phase I program, the Phase II program certification process had been contracted to an outside vendor. There were three bids and First Union Bank had won the bid. Mr. Hack introduced the team from First Union that handles our Phase II process: Jim Cornelius,

Senior Vice President, Corporate Trust Group Head; Kevin Kirby, Vice President, Corporate Trust Group; Sondra Monroe, Vice President, New Business Development; and Benny Davis, Assistant Vice President, Senior Project Manager. These individuals briefed the Corporation members on the processes that had been developed, and gave members a current status report on the progress of the disbursement of the Phase II monies.

First Union will also be distributing \$40 million of Phase I funds, set aside in HB611, to 'prop up' the Phase II payments for the 1999 crop year. KTSTC established an account with a Kentucky bank and the checks will be drawn from there.

Representative Roger Thomas asked that the checks contain a statement that these funds are provided by the Kentucky General Assembly. John-Mark Hack and Jeff Harper will work with First Union to incorporate the statement on the check stub.

TLAP Funds:

President Hack called the members attention to a letter signed by Mr. Charles Hatcher of USDA. In this letter, Mr. Hatcher gave Governor Patton permission to add the remaining balance of TLAP99 funds to the Phase II fund to be distributed in December 2000.

In the report, these funds were used to bring this year's disbursement rate to equal last years rate. Many members felt that this money should be considered separately from the Phase I monies. Henry West moved that \$37 million be disbursed from Phase I, and \$3.1 million be disbursed from TLAP99 rollover. This would raise the amount of direct payments to farmers from \$114 million to \$117 million. Debra Draper second, the motion passed by voice vote.

Administrative Costs:

John-Mark Hack reviewed the report of administrative costs. He asked that the Corporation approve the report and authorize the Trustee to issue checks for this expenditure. Wilson Stone moved for approval of the report and authorization of release of funds, Commissioner Billy Ray Smith, second. The motion passed by voice vote.

Official Closure of 1999 Payment Year:

The director advised the members that 7 separate payments had been made to tobacco quota owners, growing farms, and growers in the past year. In order to roll the remaining funds into this year's payment, the account at Chase Manhattan bank must be officially closed and funds must be transferred. Joe Clarke moved that the 1999 payment year be officially closed, Jim Lacy second, the motion passed by voice vote.

2001 Payments:

Commissioner Billy Ray Smith asked that he be allowed to clarify a mistaken vote. At the April meeting Commissioner Smith's proxy voted against his intention. Commissioner stated that he is now and always was in favor of keeping the payment year at one year. He advised that it was his belief that rolling the payment year forward every year increased the lease prices and benefited only the quota owners.

Three members, in addition to Commissioner Smith, stated that they were ready to change their votes from the rolling year, to one that would freeze the payments on one year. It was felt among these members that the growers had suffered this production year. Quota owners across the state raised lease prices to the point that the growers were not benefiting from the Phase II payments. Others stated that they were against freezing the payment year in effect making this Phase II payment an 'entitlement program'.

Governor Patton stated that this important decision needed to be carefully considered. He asked that staff compile reports and information for KTSTC members. He advised that staff should schedule an additional meeting in 30 days for the members to further discuss this issue.

The next meeting of the Board will be targeted for the week of January 17, 2001. Meeting notices will be sent.

Being no further business the meeting adjourned.

*All materials distributed at the meeting are on file in the KTSTC meeting folder in the Attorney General's Office.